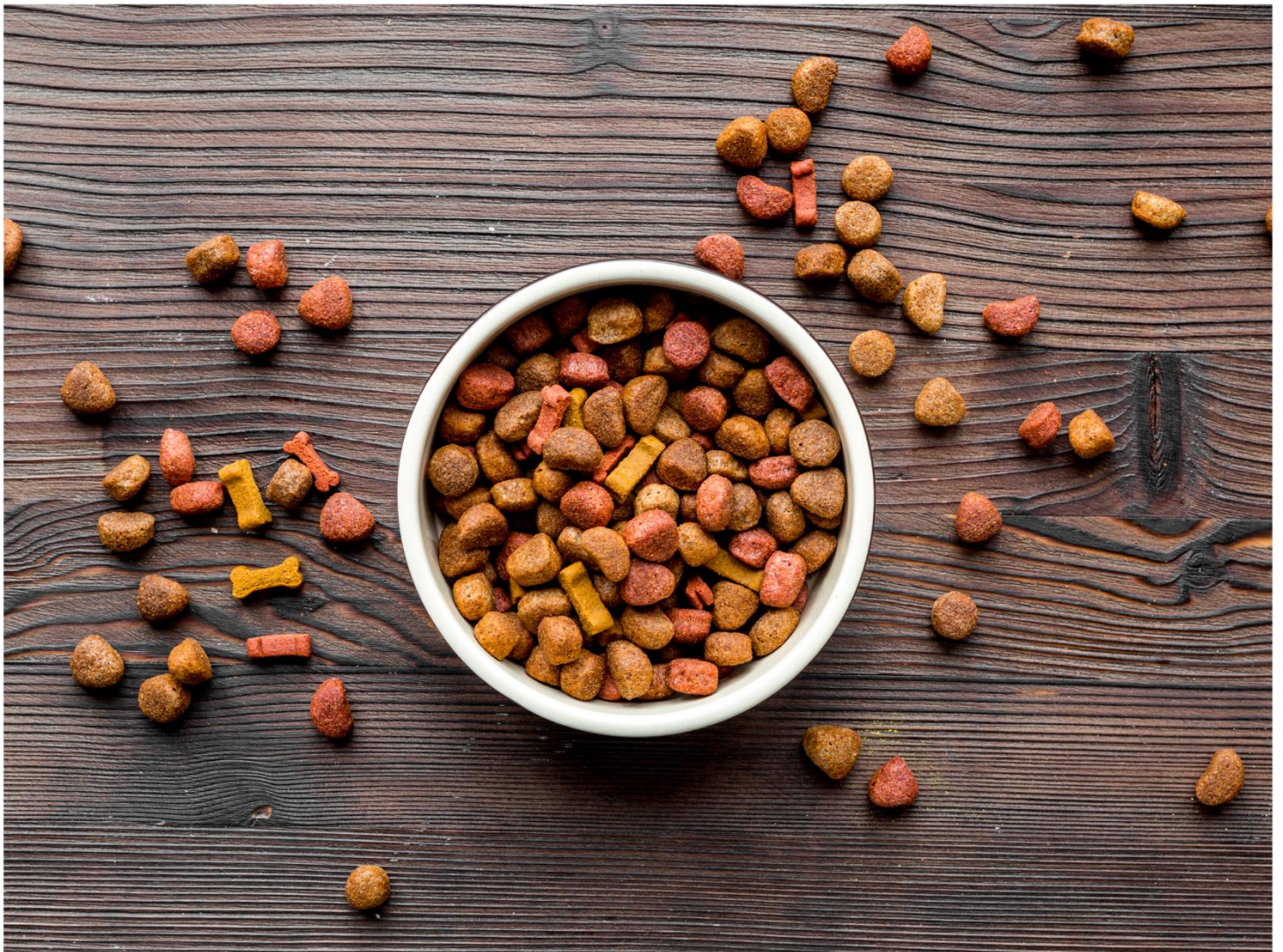

Consumer corner

Pet owner and pet food trends



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Consumer Corner

Pet owner and pet food trends

Over the past few decades, the percentage of households that own a pet in Canada has grown and the numbers are increasing. Now Canada has one of the highest pet ownership rates in the world among developed countries.

With isolation and social distancing during the pandemic, Canadians increasingly recognized the transformative impact a pet could have on their physical, mental and emotional well-being. For 2022, the dog population increased to 7.9 million from 7.7 million in 2020, and the cat population increased to 8.5 million from 8.1 million in 2020.¹

Not only has pet ownership increased, more owners are treating their pets like family members. In addition, there is greater demand for higher quality and more natural pet foods and treats.

Understanding these trends will enable manufacturers and marketers to develop and promote pet products and services that meet evolving consumer demands.

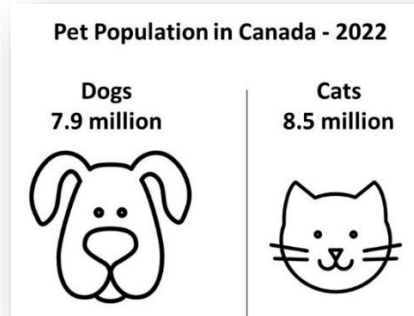
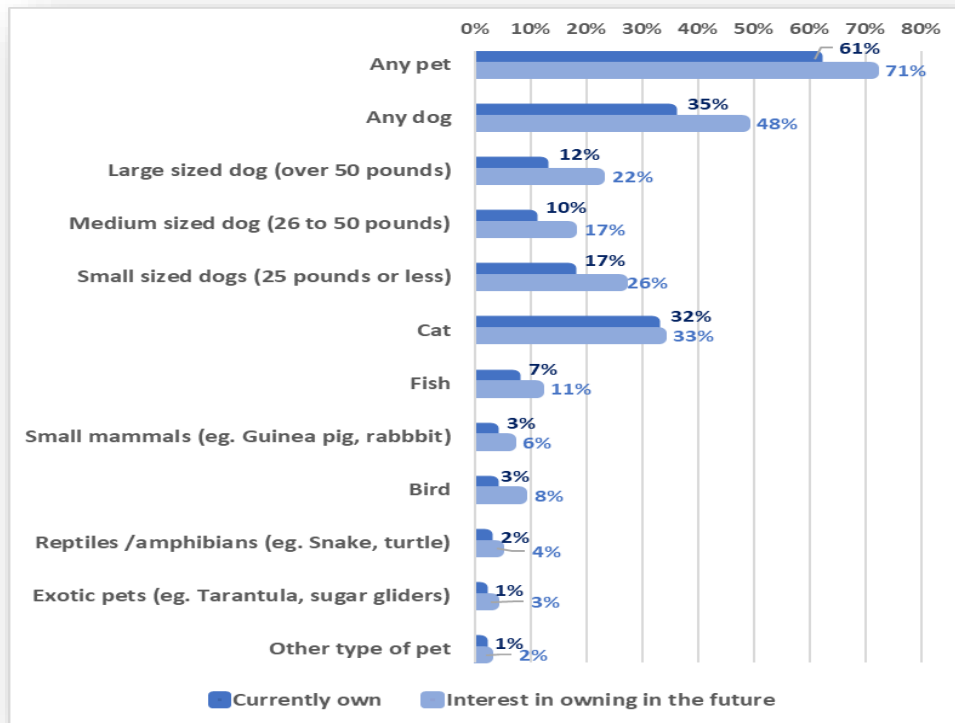


FIGURE 1: CURRENT AND FUTURE PET OWNERSHIP IN CANADA



Source: Kantar Profiles/Mintel, March 2022

¹ Canadian Animal Health institute. Latest Canadian Pet Population Figures Released

Pet ownership

According to recent research² (Figure 1), the majority of Canadians or about 61 per cent, own a pet. When it comes to the type of pet, 35 per cent own dogs and 32 per cent own cats. Dogs are also the more popular choice for Canadians who are considering getting a pet, with 48 per cent interested in dog ownership compared to 33 per cent in cat ownership.

Other than dogs and cats, seven per cent of households have fish in their homes. A very small share have birds (three per cent), small mammals (three per cent), reptiles/amphibians (two per cent) and only one per cent have exotics such as a tarantula or a sugar glider.³

Pet owner profile

The same survey looked into the characteristics of pet owners.

Being a pet parent

A significant 73 per cent of pet owners agree that being a pet parent is an important part of their personal identity, and women are more likely to agree with this sentiment than men. Women also tend to be much more emotionally engaged pet owners. Men show caring and engagement physically, such as bringing their pet on overnight trips.

The term “pet parents” is highest among Millennials (54 per cent) compared to Generation X (47 per cent) and Boomers (44 per cent).

Income matters

Pet ownership comes with a significant financial responsibility. According to the Ontario Veterinary Medical Association⁴ (May, 2022), the average cost of raising a puppy is between \$4,589 and \$4,666 in the first year, while the average cost of raising a kitten is between \$3,091 and \$3,231. The cost differential for these two common pets continues when comparing typical total annual expenses in Canada in 2021. That year, the total cost for owning a dog averaged around \$3,724, whereas owning a cat landed around \$2,542.

Considering these costs, research indicates household income level impacts dog and cat ownership. Survey findings show that dog owners are more affluent, with average household incomes above \$70,000, while cat owners' average household incomes fall below that level.

Families are more likely to own pets of all types

Families and households with children under 18 years are significantly more likely to have pets. These families usually prefer small dogs, which are a manageable and safe size for young kids. Pet ownership is likely higher among this group because pets can provide a good way to teach children valuable life lessons, help them process their feelings, and improve their health.⁵ Some noteworthy life lessons include responsibility, trust, compassion, loyalty, patience and empathy.

Young adults are prospective future pet owners

Survey research indicates about 58 per cent of 18- to 34-year-old respondents showed interest in owning a pet, compared to 51 per cent of 35- to 54-year-olds and 39 per cent of those over 55. The reasons include having companionship and positive effects on health and wellness. This young adult group is comprised of people who are single or live alone, as well as young couples with no kids.

Pet food industry

With rising pet ownership trends, Canadian pet food and treat producers have grown as an industry over the years. Retail pet food sales experienced positive growth recently despite the effects of COVID-19 on the Canadian economy.

Available data shows the Compound Annual Growth Rate (CAGR) for Canadian retail pet food sales increased 5.8 per cent, representing a change from \$3.4 billion in sales in 2016 to \$4.2 billion in 2020⁶. Recent trade data⁷ indicates Canadian dog and cat food imports have increased significantly with growing demand for pet food in Canada. For example, pet food imports in 2022 were valued at \$1638.4 million, which was a 22.8 per cent increase from 2021 and a 54 per cent increase from 2019. The increased demand for pet food can be partially attributed to Canadians purchasing dogs and cats during the COVID-19 pandemic as people were spending more time at home.

Pets have become increasingly important members of the family, and their owners are spending more on pet food. According to Bloomberg Intelligence⁸, the world pet industry is projected to grow from \$320 billion today to almost \$500 billion by 2030. The report finds that this growth is boosted by a growing pet population worldwide, as well as the premiumization of food and services resulting from the continued humanization of animal companions.

Given the expected continued growth of pet populations, ownership and pet food retail sales, both domestically and internationally, Canadian pet food producers have an

² Canadian Pet Ownership 2022. Mintel

³ Beginner's Guide to Sugar Glider Care

⁴ Ontario Veterinary Medical Association

<https://www.ovma.org/assets/1/6/CostOfCare%202021%20Canine.pdf>

⁵ Michigan State University. Benefits of a family pet.

https://www.canr.msu.edu/news/the_benefits_of_a_family_pet

⁶ AAFC. Sectors Trend Analysis – Pet food trends in Canada

<https://agriculture.canada.ca/en/international-trade/market-intelligence/reports/sector-trend-analysis-pet-food-trends-canada>

⁷ Trade Data online. Government of Canada

⁸ Bloomberg. <https://www.bloomberg.com/company/press/global-pet-industry-to-grow-to-500-billion-by-2030-bloomberg-intelligence-finds/>

opportunity to maintain and increase their presence and distinct brand image within both domestic and global markets.

Pet food company profile in Canada

Top companies and brands

As of 2020, the five largest pet food companies in Canada controlled 52 percent of the retail market share.⁹ Champion Pet Foods Ltd., an Alberta owned company, was among the top five with about 6.2 per cent of the Canadian market share. Nestle SA and Mars Inc. companies had about 17.8 per cent and 17.7 per cent market share, respectively. Total private label brands had about 8.1 per cent of the market share. It is also noteworthy that all small companies' market share was about 24.1 per cent.

In terms of pet food brands, Pedigree (Mars Inc.) was the largest in Canada with retail sales of \$260.8 million in 2020. Acana (Champion Petfoods LP), the second largest brand, attained \$203.9 million in retail sales in 2020. Three of the top five brands in Canada are owned by Mars Inc. They include Pedigree, Whiskas and Iams, which held a combined 14.2 per cent market share in 2020. The other two large brands are Acana (owned by Champion Petfoods LP) and Friskies (owned by Nestlé SA), with a combined 8.9 per cent market share in 2020.

Market segmentation

Dog food

Dog food was the largest pet food category, growing by 6.3 per cent since 2016. In 2022, it had \$2.8 billion in retail sales and 65.4 per cent market share. There are three categories of dog food: dry, wet, treats and mixers. Figure 2 illustrates 2021 sales, with dry food at 75 per cent, dog treats and mixers at 18 per cent and wet food sales at seven per cent.

FIGURE 2: 2020 DOG FOOD SALES IN CANADA



Source: Compiled with Euromonitor International, 2021

Cat food

Cat food was the second largest pet food category with retail sales valued at \$1.4 billion and representing a 32.7 per cent market share in 2020. Similar to dog food, dry cat food sales were the highest, with 61 per cent of the market share. However, the wet cat food market share is much bigger than the wet dog food market share at 28 per cent.

FIGURE 3: 2020 CAT FOOD SALES CANADA



Source: Compiled with Euromonitor International, 2021

Other pet food

While dogs and cats are still the most popular pets for Canadians, some people choose to own birds, tropical and other fish, or small mammals such as guinea pigs, rabbits ferrets and rodents. This has led to a slow, stable growth in retail sales for other pet foods. During the pandemic, fish became more popular as they were easier to acquire and look after than many other pets. In 2020, fish food sales in Canada were \$36.8 million, bird food sales were \$30.6 million and small mammal/reptile food sales were \$15 million.

Trends in the Canadian pet food industry

- **Owners treating pets as family members**

The pet humanization trend has increased the demand for premium wet and dry pet food products. According to Euromonitor International, from 2016 to 2020, premium wet and dry dog food sales grew 4.9 per cent and 7.2 per cent, respectively. During the same period premium wet and dry cat food sales increased by five per cent and six per cent. These growth rates were much higher than mid-priced and economy food categories. Sales for premium wet and dry products are expected to continue growing as more owners seek high-quality, healthier, tastier, and natural and organic offerings for their companions.

⁹ Agriculture and Agrifood Canada/Euromonitor International, 2021.: Sector Trends Analysis – Pet food trends in Canada

- **Canadian manufacturers focusing on premium food**
According to Euromonitor, U.S. dog food brands account for the majority of retail sales within Canada. However, Canadian dog food manufacturers are focusing on premium natural and organic products to increase their sales.
- **Premium foods featuring local ingredients**
Natural and organic pet food products are becoming increasingly popular among owners who are pursuing healthy lifestyles, including for their pets. Some brands are being positioned as super-premium pet foods with natural, locally sourced ingredients that offer therapeutic benefits.
- **Smaller local companies performing well**
Pet owners in Canada are increasingly keen on premium natural and organic pet food brands that are made in the country by independent manufacturers. They perceive these companies to be less profit-driven than large corporations. As more Canadians feed their pets premium products, smaller pet food companies will continue to perform well in the market.
- **e-commerce sales increasing**
During the past few years, e-commerce has made it easier for Canadians to buy consumer packaged products online. More pet owners are choosing to buy pet food online. This has led to a rise in direct-to-consumer pet food brands that offer a wider range of products and faster shipping times. While in-store purchases still exceed online sales, online sales are growing at a faster pace across wet and dry food and treats.

Key takeaways

- The pet ownership trend will continue. In 2023, more than a million Canadians are expected to add a pet to their household. This suggests the pet population could continue to increase, and demand for pet food and other goods and services will continue to grow.
- Pet owners appreciate the emotional benefits of owning a pet. While pet owner demographics skewed towards more affluent households with young children, young adults are the most likely to become future pet owners.
- More and more pet owners are treating their pets like members of the family.
- Catering to the pets-as-family (humanization) trend will continue to be an important marketing strategy into the future. As owners seek to provide pets with a happy and healthy life filled with human-like products and experiences, the market will continue to grow. There is significant opportunity for companies to develop innovative, premium products with customized formulas and functional ingredients focused on health and wellness.